MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BAC 1054 – PRINCIPLES OF MANAGEMENT ACCOUNTING

(All sections / Groups)

25 OCTOBER 2017
2.30p.m. – 4.30p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This paper consists of **4** pages excluding cover page with 4 Questions only.
2. Answer **ALL** questions.
3. All questions carry equal marks and the distribution of marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

QUESTION 1

You are presented with the following information for Busra Bhd.:

Direct material:

Standard price per unit	RM50
Standard quantity for actual production	5 units
Actual price per unit	RM52
Actual quantity	6 units

Direct labour:

Actual hours	10,000
Actual wage rate per hour	RM6.50
Standard hours for actual production	9,000
Standard wage rate per hour	RM6

a) You are required to calculate:
   i. Total material variance
   ii. Material price variance
   iii. Material quantity variance
   iv. Total labour variance
   v. Labour price variance
   vi. Labour quantity variance

(20 marks)

b) Explain **TWO (2)** advantages of using standard costing system.

(5 marks)

[TOTAL: 25 MARKS]

QUESTION 2

The wireless phone manufacturing division of a Cyberjaya-based consumer electronics company uses activity-based costing. For simplicity, assume that its accountants have identified only the following three activities and related cost drivers for indirect production costs:

Activity	**Cost Driver**
Materials handling	Direct materials cost
Engineering	Engineering change notices
Power	Kilowatt hours

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Two types of cell phones are produced: Senior and Basic. Direct costs and cost-driver activity for each product for a recent month are as follows:

	Senior	**Basic**
Direct materials cost	RM25,000	RM50,000
Direct labour cost	RM4,000	RM1,000
Kilowatt hours	150,000	250,000
Engineering change notices	13	7

Manufacturing overhead costs for the month were as follows:

	RM
Materials handling	12,000
Engineering	20,000
Power	16,000
Total manufacturing overhead cost	48,000

Required:

a) Compute the manufacturing overhead costs and total cost for each product with the activity based costing system.

(17 marks)

b) Suppose all manufacturing overhead costs had been allocated to products in proportion to their direct labour costs. Compute the manufacturing overhead costs and total costs for each product.

(8 marks)

[TOTAL: 25 MARKS]

QUESTION 3

a) Statement of profit or loss and other comprehensive income for Badrul Machine Bhd. for 2016 appears below.

BADRUL MACHINE BHD.
Statement of profit or loss and other comprehensive income
For the Year Ended December 31, 2016

Sales (40,000 units)	RM1,000,000
Variable expenses	700,000
Contribution margin	300,000
Fixed expenses	360,000
Net income (loss)	RM (60,000)

Continued...

Required:

Answer the following independent questions and show computations using the contribution margin technique to support your answers:

i. What was the company's break-even point in sales (RM) in 2016?

(3 marks)

ii. How many additional units would the company have had to sell in 2017 in order to earn net income of RM45,000?

(4 marks)

iii. If the company is able to reduce variable costs by RM2.50 per unit in 2017 and other costs and unit revenues remain unchanged, how many units will the company have to sell in order to earn a net income of RM45,000?

(6 marks)

b) Corrie Enterprise manufactured 6,000 units of a component part that is used in its product and incurred the following costs:

Direct materials	RM35,000
Direct labour	15,000
Variable manufacturing overhead	10,000
Fixed manufacturing overhead	20,000
	RM80,000

Another company has offered to sell the same component part to the company for RM13 per unit. The fixed manufacturing overhead consists mainly of depreciation on the equipment used to manufacture the part and would not be reduced if the component part was purchased from the outside firm. If the component part is purchased from the outside firm, Corrie Enterprise has the opportunity to use the factory equipment to produce another product which is estimated to have a contribution margin of RM22,000.

Required:

Prepare an incremental analysis report for Corrie Enterprise and comment on whether Corrie Enterprise should make or buy the component part.

(12 marks)

[TOTAL: 25 MARKS]

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QUESTION 4

Gagah Bhd. has budgeted the following unit sales:

2017	Units
January	10,000
February	8,000
March	9,000
April	11,000
May	15,000

The finished goods units as at December 31, 2016, was 2,000 units. Each unit requires 3 pounds of raw materials that are estimated to cost an average of RM4 per pound. It is the company's policy to maintain a finished goods inventory at the end of each month equal to 20% of next month's anticipated sales. They also have a policy of maintaining a raw materials inventory at the end of each month equal to 30% of the pounds needed for the following month's production. There were 8,640 pounds of raw materials on hand at December 31, 2016.

Required:

For each month of the first quarter of 2017, prepare:

a) a production budget and

(10 marks)

b) a direct materials budget.

(12 marks)

c) How does a budget contribute to good management? Explain.

(3 marks)

[TOTAL: 25 MARKS]

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